

duty on palm oils were specified for a limited period, that is, upto 31st October, 2006. There could not be any presumption as to what rates would have applied on expiry of that period. In this case, in particular, these rates have been continued beyond 31st October, 2006, upto 31st December, 2006 by another notification.

(b) Announcing concessional rates of duty on a product for a limited period is not an uncommon practice. The Concessional rates are reviewed taking into account all relevant factors before the end date so as to decide whether such rates should be continued or otherwise.

(c) Does not arise in view of (b) above.

Requirement of UCBs to maintain capital adequacy ratio

2943. SHRI B.K. HARIPRASAD: Will the Minister of FINANCE be pleased to state:

(a) whether the trend of Urban Co-operative Banks facing liquidity problems are on the rise, going by the restrictions imposed by RBI on a few UCBs in Maharashtra, after run on deposits reported recently;

(b) what will be the fate of small-time depositors in such UCBs, now under RBI moratorium;

(c) what are the compulsions that prevent Centre to end dual-control of UCBs to provide RBI with greater supervisory control; and

(d) whether like commercial full-fledged banks, UCBs are required to maintain a stipulated Capital Adequacy Ratio, if not, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) Compared to the previous year, there has been a slight decrease in the number of Urban Co-operative Banks (UCBs) facing liquidity problems. The number of banks which failed to continuously maintain statutory reserves during 2006 was 120 compared to 132 in 2005. The number of banks on which directions under section 35-A of Banking Regulation Act, 1949 (as applicable to Cooperative Societies) were imposed by RBI in 2006 has gone up. This is on account of deterioration in financial position (net worth) of some banks on account of increase in non-performing assets and consequent provisioning

requirements. During the latter part of the year some banks in Maharashtra also faced a run on their deposits leading to liquidity problems.

(b) The deposits upto Rs. 1.00 lakh are insured by Deposit Insurance Credit Guarantee Corporation (DICGC), which undertakes settlement of all such claims. In cases of UCBs whose licences have been cancelled/application for licences rejected, RBI requisitions the Registrar of Cooperative Societies (RCS) of the State concerned to put the bank under liquidation and submit to DICGC claims of depositors for settlement.

(c) Cooperation is a State Subject as per Constitution of India and RBI acts as a Regulator for Banking Companies formed under the relevant statutes. In terms of the extant legislative framework in respect of UCBs certain powers like incorporation, registration, elections, management, amalgamation, reconstruction and liquidation of UCBs are vested in the Registrars of Cooperative Societies, while RBI is entrusted with matters relating to interest rates, loan policies, investments, prudential norms, risk management and issue/cancellation of bank/branch licenses, etc. In comparison with the powers of RBI over Commercial Banks, the existence of dual control restricts the flexibility of Reserve Bank in dealing with UCBs facing financial weakness.

(d) All Primary Urban Co-operative Banks are required to maintain stipulated level of Capital Adequacy Ratio. At present all UCBs are required to maintain a Capital to Risk Assets Ratio (CRAR) of minimum of 9%, which is at par with Commercial Banks.

Manipulation by IRS officials to escape transfers

2944. SHRIMATI SYEDA ANWARA TAIMUR: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that at least twenty senior Indian Revenue Service